

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF OWEN ELECTRIC	)	
COOPERATIVE, INC. FOR A CERTIFICATE OF	)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY FOR	)	2010-00316
ITS 2010–2011 CONSTRUCTION WORK PLAN	)	

ORDER

On January 6, 2011, Owen Electric Cooperative, Inc. (“Owen”) filed its application for a Certificate of Public Convenience and Necessity (“CPCN”) to construct certain improvements and additions to its existing plant. In support of its application, Owen filed its 2010-2011 Construction Work Plan (“CWP”) which describes in detail the improvements and additions to its plant that are required over the two-year period to serve its load. Owen estimates that the total cost of the work described in the CWP will be \$23,904,797.

Owen received approval from Rural Utility Service (“RUS”) for its 2010-2011 work plan in November 2009. In response to Commission discovery, Owen stated that it began work in March 2010 on projects contained in the CWP, and attached schedules showing \$3,325,787 in work orders closed in 2010 and \$1,588,433 in January 2011. A follow-up filing by Owen detailed another \$164,767 spent for equipment in December 2009, \$960,719 spent during calendar year 2010, and \$126,574 spent during January 2011. In its March 4, 2011 response to Commission Staff’s First Data Request, Owen stated that, as of January 2011, Owen had completed \$4,914,220 of construction projects delineated in the CWP—the majority of the work being for system

improvements and reliability.<sup>1</sup>

Owen seeks authorization to construct extensions and additions to its plant as follows:

New member (services) construction	\$ 5,609,155
System improvement projects (line change and conversion)	3,049,056
Transformers and meters	3,538,095
Service upgrades	502,642
Sectionalizing equipment and activities	1,000,000
Line (Voltage) regulators	383,680
Capacitors/Controls	20,000
Pole replacements	1,569,251
Miscellaneous replacement (guys, anchors, insulators, etc.)	650,000
Conductor replacement	5,885,318
Line Relocates	540,000
Outdoor Lighting	462,600
SCADA	600,000
AMR equipment	<u>95,000</u>
<b>TOTAL</b>	<b>\$23,904,797</b>

Owen asserts that the proposed construction will enable it to continue to provide adequate and dependable electric service to its 59,272 residential customers, as well as 14 industrial/large commercial loads and 2,311 small commercial loads. Owen states that the system improvements recommended in the CWP will not duplicate existing facilities and are needed to provide adequate and dependable service.

In Case No. 2006-00314,<sup>2</sup> Owen was authorized to replace 54,000 mechanical meters with advanced meter reading ("AMR") meters. In response to Commission Staff's First Data Request, Owen stated that it had completed installation of the 54,000

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<sup>1</sup> Response to Item 3 of Commission Staff's First Information Request.

<sup>2</sup> Case No. 2006-00314, Application of Owen Electric Cooperative, Inc. for a Certificate of Public Convenience and Necessity for Its Automated Meter Reading Plan (Ky. PSC Oct. 31, 2006).

AMR meters in December 2009.<sup>3</sup>

Owen's CWP includes the installation of 1,940 new advanced meter infrastructure ("AMI") residential meters at a cost of \$284,892, and 250 large customer meters at a cost of \$199,616. Owen states that the meters are required for new customer growth and its new AMI meters are compatible with its current AMR meters.<sup>4</sup>

Based on the application, responses to Commission inquiries, and supporting 2010-2011 CWP, and being otherwise sufficiently advised, the Commission finds that the proposed improvements and additions to be constructed by Owen are necessary to provide adequate, reliable electric service to existing customers and anticipated new customers. Therefore, the Commission approves Owen's 2010-2011 CWP and will grant Owen's application for a CPCN authorizing the construction and improvements described therein.

The Commission's approval of the CPCN in this matter does not, however, negate the Commission's concern about Owen's failure to properly comply with the requirements of KRS 278.020, which provides, in pertinent part, that:

No person, partnership, public or private corporation, or combination thereof shall commence providing utility service to or for the public or begin the construction of any plant, equipment, property, or facility for furnishing to the public any of the services enumerated in KRS 278.010, except retail electric suppliers for service connections to electric-consuming facilities located within its certified territory and ordinary extensions of existing systems in the usual course of business, until that person has obtained from the Public Service Commission a *certificate that public convenience and necessity require the service or construction.*

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<sup>3</sup> Response to Item 9 of Commission Staff's First Information Request.

<sup>4</sup> Response to Items 8 and 9 of Commission Staff's First Information Request.

In its August 5, 2009 Final Order in Case No. 2009-00010,<sup>5</sup> the Commission put Owen on notice that it must comply with KRS 278.020 in filing a CPCN for any new CWP before undertaking any work described in those plans. In this case, Owen's CWP was approved by RUS on November 4, 2009. Yet, Owen did not file its application for a CPCN with the Commission until nearly a year later and several months after it had begun construction on some of the items in the CWP.<sup>6</sup>

The Commission finds that the failure of Owen to obtain a CPCN prior to beginning construction on its 2010-2011 CWP is a potential violation of KRS 278.020 and its August 5, 2009 Order in Case No. 2009-00010. Therefore, by separate order, the Commission will establish a proceeding to investigate this matter further.

IT IS HEREBY ORDERED that Owen is granted a Certification of Public Convenience and Necessity to construct the facilities described in its 2010-2011 Construction Work Plan.

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<sup>5</sup> Case No. 2009-00010, Application of Owen Electric Cooperative, Inc. for an Order Pursuant to KRS 278.300 and 807 KAR 5:001, Section 11, and Related Sections, Authorizing the Cooperative to Obtain a Loan Under the RUS/CoBank Co-Lending Program not to Exceed \$28,083,000 at any One Time from Rural Utilities Service and CoBank (Ky. PSC Aug. 5, 2009).

<sup>6</sup> In its response to Item 3 of Commission Staff's First Data Request, Owen stated that it began work on the 2010-2011 CWP in March 2010.

By the Commission

ENTERED   
JUN 21 2011  
KENTUCKY PUBLIC  
SERVICE COMMISSION

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